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Message From The Director





The Trust Lands Administration has completed its first 10 years of operation. It has been a distinct opportunity for me to have been here for that entire time and for more than a decade with the Trust Lands' predecessor agency, the Division of State Lands and Forestry.

Because of that experience, I have witnessed and participated in the immense struggles and transformations that occurred through the founding of the Trust Lands Administration:

- The change in attitudes as business principles were applied to trust land management
- The spectacular improvements in revenues
- The stunning growth of the Permanent School Fund and other trust assets
- The appropriate respect for and reciprocal appreciation from the trust beneficiaries

Since the founding of this agency in 1994, it has been my privilege to work with the people of the Trust Lands Administration. We have reached new heights in the generation of revenues, the building of trust assets, and in our capacity to do our duty to the trust beneficiaries while assisting in meeting Utah's demands for numerous resources.

The pages of this report give more information on some of the major forces that shaped our first decade. The Board of Trustees, staff, and management worked rigorously and effectively to achieve the successes of the past 10 years. As a result, the significance of the trust grows each year.

I believe it will be a challenge to duplicate the results again in the next decade, but that is my objective starting with a Permanent Fund goal of \$1,000,000,000 by the end of FY 2010.

In just 10 short years, Utah has witnessed only a decade of existence for the Trust Lands Administration, but a century of progress.

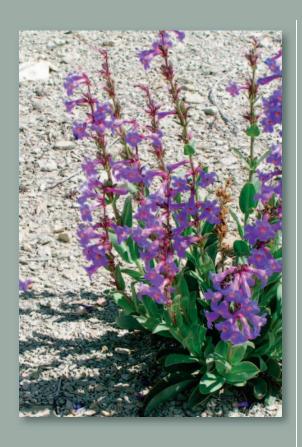
Kevin Carter, Director





A Decade Of Success

A New Agency



A New Agency

The State of Utah School and Institutional Trust Lands Administration was created as an independent state agency on July 1, 1994, by enactment of Utah Code Title 53-C.

Until that time, trust lands were managed by the Division of State Lands and Forestry, a division within the Utah Department of Natural Resources. The Department of Natural Resources also managed a vast array of public activities including wildlife; parks and recreation; water resources and rights; forest and wildland firefighting; and the permitting/enforcement of oil, gas and mining operations.

Utah's education community believed trust lands operations were treated as a small and insignificant part of the Department's total operations and that the results of trust lands management would improve if administered by those whose only responsibility was the financial performance of trust lands. They fostered the legislation to create the new agency and its mission.

Several objectives were established for the management of trust lands:

- Management of the lands for the financial support of the trust beneficiaries
- Impose trust fiduciary duties upon the state
- Manage the lands in a prudent and profitable manner
- Concern for both current and future beneficiaries
- Remove trust land management from the inherent conflicts of interest found when combined with agencies that have other mandates
- Establish that trust beneficiaries do not include other governmental institutions or agencies, the public at large, or the general welfare of the state

The Trust was required to run as a for-profit enterprise – based on business principles. No tax money was to be used in the operation of the Trust Lands Administration. This, then, is a report on the first 10 years.

Revenues

Net Revenues

One of the core measurements of trust lands management is net revenues results. Net revenues are defined as the revenues generated from the operations of the Trust Lands Administration after deducting the operating expenses of the agency. As can be seen from the chart "Net Revenues," the results have been positive over the first 10 years.

In fiscal year 1994, the year immediately before the Trust Lands Administration began managing the lands, net revenues were \$8.3 million. In FY 2004 – net revenues were \$52.5 million. That's an increase of more than six times.

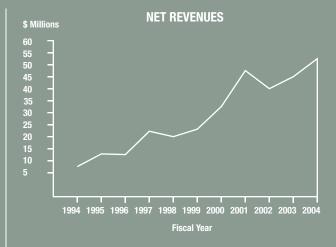
Permanent Fund

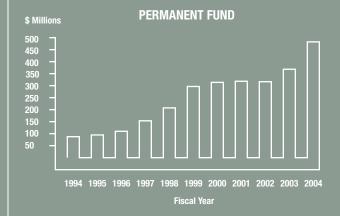
The importance of net revenues to the trust is the impact revenues have on maintaining and building trust assets. It is the duty of the trustee (in this case the state of Utah through the Trust Lands Administration) to protect and, if possible, build the trust assets.

One of the best measurements of trust assets (and certainly the most well-known) is the Public Schools' Permanent Fund. The Permanent Fund is essentially money earned and put in stocks, bonds, and other financial instruments where it can grow – producing interest and dividend income for Utah schools—forever.

At the end of fiscal year 1994, after more than 98 years of statehood, the schools' trust fund bank account was \$84.5 million. Now that bank account has grown to more than \$469 million – an increase of almost \$385 million in just 10 years. Further, the agency has set a lofty goal of \$1 billion in the Permanent School Fund by the end of fiscal year 2010.

There are many facets to the paradigm that allowed the Trust Lands Administration to achieve these financial results while practicing responsible land management.





Land Exchanges

In the Trust Lands Administration's first decade, the agency was able to complete two major land exchanges with the United States

The first exchange – The Grand Staircase–Escalante National Monument Exchange – was finalized early in 1999

It exchanged about 375,000 acres of trust land for 139,000 acres of federal land, plus 185 billion cubic feet of natura gas, 160 million tons of coal, and more than \$50,000,000 in cash. The exchange substantially improved the Trust Lands Administration's ability to generate revenues for trust beneficiaries while putting sensitive lands into conservation status under the management of the federal government.

The second exchange – The West Desert Land Consolidation – was completed in 2001. It traded 106,000 acres of trust lands captured inside Wilderness Study Areas for 107,000 acres of federal lands that have greater income-producing potential. This became the second-largest state-federal land exchange in Utah.

A third exchange – The San Rafael Swell Exchange – failed to pass congress in 2002. The failure was blamed on questions about the process used to place values on some of the parcels included in the exchange.

Nevertheless, the Trust Lands Administration will continue to pursue land exchanges with the United States. The objective remains the same – to exchange trust lands having little revenue-generating potential for federal lands with more economic potential. The federal government will receive land with scenic, recreational, and conservation potential.

Both the United States and the Utah Trust Lands Administration satisfy their respective missions and profit in such transactions.

Minerals

While the agency made great strides in improving revenues from surface activities, revenues from oil, gas, and minerals sustain the cash flow. Oil, gas, and other minerals account for as much as 80 percent of the Trust's annual receipts. The results hinge upon:

- The acquisition of new sources of oil, gas, and minerals
- Improved leasing practices
- Improved marketing practices









Oil and Gas

Oil and gas revenues have been the single largest source of income to the trust beneficiaries. During the past 10 years, these revenues have grown significantly.

In 1994, the trust earned revenue from oil and gas of approximately \$8 million. At the end of FY 2004, that figure was \$36.8 million.

This increase has happened because of:

- Strategic acquisition and development of gas properties For example, in the Grand Staircase—Escalante National Monument
 Exchange in 1999, the Trust Lands Administration was able to acquire additional property adjacent to its developing gas properties
 in Drunkards Wash in Carbon County. The acquisition enabled the development of more than 400 coalbed methane gas wells in that
 area. Additionally, other oil and gas properties acquired through exchanges with the United States have been or will be developed.
 In exchange for these lands, the United States received lands they desired for recreation, conservation, and other public uses.
- Increased natural gas prices Gas prices spiked in 2001 and have never returned to the prices of the 1990s. Natural gas shortages, the need to find new domestic production, and other supply-related factors have contributed to continued high prices for both oil and gas. Natural gas that was being sold for an average of \$1.69 per MCF in fiscal year 1994 sold for an average of \$4.25 in fiscal year 2004. Oil that brought an average of \$15.49 per barrel during fiscal year 1994 sold for an average of \$29.40 in fiscal year 2004. Expert predictions are that neither commodity will return to lower prices within the foreseeable future.
- A unique operating environment The Trust Lands Administration's legislative mandate has language that is unlike any other state. Trust Lands has the ability to enter into agreements with third parties to develop its resources. This means that instead of leasing our lands for a simple royalty which allows the lessee control over when and how trust leases are developed the Trust Lands Administration can tailor its agreements to optimize potential returns to the beneficiaries.

For example the agency can:

- Enter into seismic survey agreements
- Form joint exploration agreements
- Negotiate higher royalties in areas that have more potential
- Share in revenues if a company performs certain actions that add value to the trust

During the past 10 years, oil and gas revenues have grown at the Trust Lands Administration. All indications are that oil and gas will continue to be a mainstay of revenue to the beneficiaries. Predictions for the coming few years are that prices will not be significantly lower than they are now — keeping revenues up. Due to higher prices, companies are very interested in exploring for oil and gas in Utah. The Trust Lands Administration looks forward to working with companies with a suitable policy of responsible exploration for oil and gas that will add value to the trust funds.

Minerals – Hard Rock & Industrial

The trust land sub-surface estate provides the trust with a variety of mineral resource opportunities beyond oil and gas production. During the first 10 years of the Trust Lands Administration's management, the reserves, development, and production of mineral resources have improved dramatically.

Increased new mineral resources have come from the large land exchanges with the United States. The Trust's position in coal has improved with the addition of 178 million tons of recoverable coal since 1994. These acquired interests are significant for the trust beneficiaries because coal provides the bulk of solid mineral revenues. Coal revenues increased from \$2,522,000 in fiscal year 1994 to \$4,303,000 in fiscal year 2004.

Trust coal resources are primarily located in Carbon, Emery, and Sevier Counties. Several of the tracts are now in the development stage, with new production starting in 2005.

Other acquired mineral interests include:

- Beaver County Alunite, which can be used for the production of Aluminum.
- Juab County Beryllium ore, a valuable metal found in only a few places in the world. Also in Juab County significant limestone resources were acquired.

Significant progress has also been made in the production of other minerals:

 Sand and Gravel – revenues have improved from \$150,000 annually to more than \$650,000 per year





- Limestone revenues are up from \$184,500 in FY 1994 to \$343,800 in FY 2004
- Potash income has improved from \$212,000 to \$327,000 primarily due to increased production of the Kane Creek deposits in Grand County.
- Gilsonite cash flows have increased from \$45,700 to \$118,500 over the past 10 years as gilsonite production has increased on trust lands near Bonanza (Uintah County), Utah.

Other improvements in minerals management:

- Change in leasing many commodity interests were moved from a "lease" arrangement to a "permit" basis.
 This allows the Trust Lands Administration greater flexibility to adjust fee and royalty rates to reflect everchanging market conditions. Further, it encourages the actual production of commodities rather than speculation in commodities.
- Mineral inventory a joint venture between the Trust Lands Administration and the Utah Geological Survey completed a statewide review and inventory of industrial, hard rock, and solid energy minerals on Utah trust lands. The data was developed on a county-by-county basis and is used to promote mineral exploration and development in Utah. It also assists in planning uses for these lands and in valuation of lands for exchange purposes.



Land Auction Program

Prior to 1998, surface land auctions were generally held at the county seat of the land parcel being sold. The sales were usually not widely advertised, and bidding ordinarily interested only local people. Because trust land is scattered all over Utah, this approach created numerous small inefficient transactions during the course of a year.

In 1998, the agency decided to consolidate its land auction into two large sales events held annually – usually in Salt Lake City. This move improved the efficiency of the auction sales program while, at the same time, exposed parcels to a much larger and more competitive bidding audience.

This resulted in several improvements for trust beneficiaries:

- More efficient auctions
- Increased market interest in the parcels offered
- Higher yield from the parcels
- Greater public awareness and understanding of trust lands

The program also benefits private citizens and local governments:

- Land moves into private hands for:
 - Residences
 - Recreation
 - Ranching & Farming
 - Rusiness
 - Open Space & Conservation
- More land on county tax rolls provides money for:
 - Schools
 - Community Services

There are a number of factors which may lead the Trust Lands Administration to sell a parcel of land:

- Market interest
- Small parcel surrounded by private land
- Little production value, but good market value
- Unusual opportunity for the piece
- Extraordinary administrative costs
- Test real estate market interest in the area
- Establish good comparable values for future land transactions

The auction program is a success and has evolved into a significant source of annual revenue for the Trust. The Trust Lands Administration sells an average of 5,000 acres per year generating about \$4,000,000. Prices for auctioned lands have ranged from \$100 per acre to more than \$65,000 per acre. During the past five years, the average sales price has been more than \$500 per acre.

Off-Highway Vehicles

Traditional casual accommodation of unmanaged off-highway vehicle access and use by the public is now inadequate in the face of growing demand for motorized recreation. This additional demand is causing significant degradation of trust assets. Additionally, federal land management agencies are calling for reduction of OHV use on federal lands — putting even more pressure on neighboring trust lands.

Early in 2004, the Trust Lands Administration was successful in securing a surcharge of \$1.50 per OHV registered in Utah and on out-of-state OHV user fees. The legislature established the fee to provide funds to accommodate disciplined use and to mitigate impacts associated with OHV activities on trust lands.

Annual proceeds from the surcharge are projected a \$250,000 and will help improve recreational opportunities for OHV users while protecting trust resources.

Telecommunication Site Leasing

The past decade has seen annual revenues from leasing telecommunication sites on trust land increase from about \$70,000 to more than \$470,000. The agency identified and acted upon opportunities to capture a portion of the expanding cellular-wireless market. A program to encourage companies to build communication sites on trust lands and co-locate sub-leases on existing sites produced positive results. Improved lease contracts, leasing at market value, and greater site monitoring further enhanced revenues. Streamlining the leasing process was also a positive factor.





Grazino

Although accounting for less than one percent of the revenues of the agency, grazing has and will continue to be a significant part of the Trust Lands Administration's workload. The agency has engaged the livestock community to study grazing fees and bring Trust Lands' fees more in line with the market.

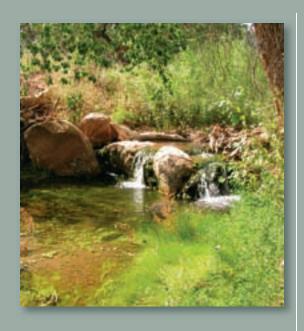
Instead of a single fee applied to all permits, higher fees will be applied to certain blocks of land that are not associated with federal grazing permits or where the forage value is generally higher. When the new fees are fully implemented, along with other proposed adjustments to standard fees, the annual grazing revenues will increase by more than \$400,000

Hunter Access

A significant portion of trust lands provide high-end hunting opportunities. The market for access to these kinds of lands has grown significantly in recent years.

In 1997, the Trust Lands Administration entered into a 10-year Memorandum of Understanding with the Division of Wildlife Resources which includes an annual payment of \$200,000 from DWR for public hunter access to unencumbered trust lands. While far less than comparable revenues derived from private lands, this MOU marked the beginning of recognition of the hunting value of trust lands.

The agreement has set the stage for productive dialogue with sportsmen and wildlife managers to provide incentives for the Trust Lands Administration to enhance wildlife habitat and hunting opportunities on trust lands.



Water Rights

Over the past 10 years, the Trust Lands Administration has taken a much more active role in acquiring and protecting water rights. In the past, most of the responsibility for these activities was left to the various lessees and permittees. The Trust Lands Administration has now taken these roles upon itself. Applications for the approval, extension of time, and proof of beneficial use for water rights are now all filed by the agency.

An important tool in protecting water rights from forfeiture was the agency's adoption of rules allowing it to require grazing permit holders to put appurtenant stock-watering rights to beneficial use — subject to the terms and conditions of the permit and its relationship to season of use and stocking rates.

The Trust Lands Administration works closely with the Division of Water Rights to ensure that all water rights located on trust lands are filed in the name of the agency. There has also been cooperation with the Division of Water Rights to include a "TLA Action List" on its web site and include trust land information in its geographic information system database.

Roads on Trust Lands

Roads have been a subject of considerable controversy in Utah for the past several decades. The scattered ownership of trust lands throughout the state has placed the Trust Lands Administration as a major participant in formulating public land access decisions.

In 1991, the state legislature enacted a law that provides temporary easements or rights of entry for roads that were constructed, maintained, or used on state trust lands prior to January 1, 1992. The temporary status of such easements or rights of entry remains in effect until they are made permanent through an application process formalized by administrative rule.

In FY 2004, the Trust Lands Administration formalized a rule-based process that provides a mechanism for receiving input and bringing closure to various claims. The process provides notification to counties and other responsible authorities for the Trust Lands Administration to receive input to determine the merits of finalizing easements or rights of entry for roads that cross TLA properties before the property is sold. This process will help bring closure to various claims and provide more certainty for prospective buyers of trust land properties.

This process does not affect any valid RS2477 claims made by the counties

Planning & Development

One of the first things the new Trust Lands Administration did was to organize the Planning & Development Group. The objective of the move was twofold.

- First capture additional values available in some trust lands through planning, zoning, and the development of infrastructure rather than simply sell raw land. The agency previously achieved some successes in this arena and concluded that a more-organized approach to the process would profit the beneficiaries.
- Second participate in developments where the trust could continue to have an interest such as leasing ground to a business or participating in the rental stream of a building erected on trust land.

Both of these techniques require detailed, focused work and have proven to be successful. Over the last 10 years, the Development Group has been involved in the privatization of more than 5,300 acres. In selling this land, the Trust brought in more than \$42 million and has averaged more than \$7,900 per acre. These returns exceed historical returns received from traditional auction sales.

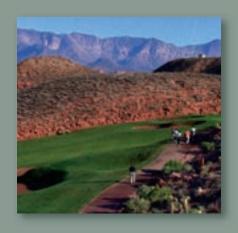
In pursuing recurring revenue, the Planning and Development Group has entered into 12 transactions that, in 2004, were generating more than \$500,000 per year. These funds are expected to grow from year to year and should flow to the beneficiaries indefinitely.

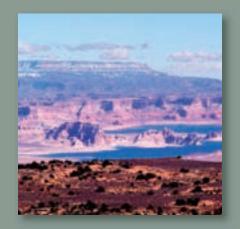
As of the end of the first decade, the Planning and Development Group has identified lands for future privatization that have a potential value in excess of \$500,000,000. Some of these lands have near-term opportunity, and others must await their optimum time for privatization. Needless to say, much work remains to be done.

In addition to the anticipated economic advantages for the beneficiaries, the Planning and Development Group focuses on building the Trust's reputation as a concerned, cooperative member of both the local communities and the overall business community:

• A new level of understanding, cooperation and trust:

After identifying potential development opportunities, the Trust Lands' development team meets with county officials, municipal leaders, adjacent property owners, and other interested people. This is to make them aware of lands being considered for development and to work with them in creating a vision for the property. This approach offers local citizens an opportunity to have input to development activities on trust lands and seeks to satisfy both local community needs and the agency's responsibility to the beneficiaries.





Partnering with private parties and community interests:

The Trust Lands' development team creates master plans that consider open space, housing types, community amenities, commercial, and other uses. The team cooperates with both public and private entities to work through the local land-planning processes. It is the Trust's goal that these efforts lead to well-planned developments in which the Trust and the community can be proud.

• Providing community and economic development:

The Trust Lands Administration's Planning and Development team works diligently with local communities to identify properties that can appropriately be developed as industrial parks in support of local economic development. After choosing the parcels and planning the project, the Trust Lands Administration reaches out to the private sector development community and local and state economic development agencies to bring the projects into reality.

This effort has led to the creation of industrial parks in several Utah communities. These projects contribute to the development of local jobs and tax revenues and bring good returns to the trust beneficiaries through the sale and leasing of industrial sites.

A number of industrial parks are in various stages of development:

- Fort Pierce Business Park in St. George
- Gateway Industrial Park in Hurricane
- Cedar City Industrial Park west of Cedar City
- Ridge Road Industrial Park near Price
- Grantsville Industrial Park in Tooele County

Hundreds of people are currently employed in facilities within these industrial parks. Over time, contributions to the property tax base will be tens of millions of dollars.

The Trust Lands Administration's policies and practices for planning and development create opportunities for well-managed growth and economic development while building both revenues and assets of Utah's schools and other trust beneficiaries.







Block Planning

Much of the land managed by the Trust Lands Administration is the familiar "checkerboard" pattern of school trust lands scattered throughout the state. These are mostly rectangles of one square mile containing 640 acres. However, there are a number of trust land blocks that are considerably larger contiguous tracts of land.

In the late 1990's, the agency decided that it needed to have more information about some of these larger blocks so that it could better manage them in the interests of the trust beneficiaries. In 2002, the Trust Lands Administration developed a "block planning" process. More than 50 large blocks have been identified. About 20 of those have been selected for planning.

The first step in the block planning process is to analyze the blocks:

- How and why the block was acquired
- What are its physical characteristics location, size, topography, resources, etc. there are more than 60 parameters considered for each block
- Identify the market and political dimensions associated with the block
- Determine the strengths, weaknesses, opportunities, and threats associated with the block.

The second step in block planning is to develop strategies for future management of the block:

- Determine highest and best use
- Create short-term, long-term, and exit strategies
- Recommend action plans

Though the sustained effort at block planning is relatively new, it has already brought significant new revenues to the beneficiaries and holds the promise for increased returns through more effective management of large blocks.

A Seat on the Investment Advisory Council

The Trust Lands Administration does not manage the investment of the net revenues it makes. Revenues not distributed directly to beneficiaries (laws governing distributions vary among beneficiaries) are transferred to the State Treasurer's Office where each beneficiary has its own permanent fund.

Laws provide rules for the investment of these funds. However, there is some latitude allowed in choosing specific investments So the law established an Investment Advisory Committee to give the Treasurer suggestions, advice, and opinions on investing the funds

The committee consists of representatives of various stakeholders – presidents of universities, the state Superintendent of Public Instruction, parents, and teachers. Early in 2004, the legislature amended the law to include a representative from the Board of Trustees of the School and Institutional Trust Lands Administration.

This gives the Board a voice in the investment decisions for the money the Trust Lands Administration has worked so diligently to obtain.

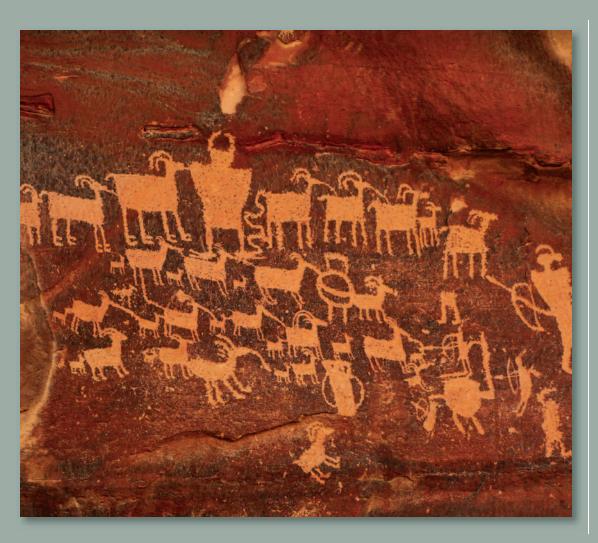






Conservation

Conservation



Conservation

In the midst of the 3.4 million acres (7,500 parcels) of trust land managed by the Trust Lands Administration, there are some truly unique parcels. As a cautious and far-sighted steward of the land, the Trust Lands Administration recognizes certain trust lands have unique scenic, recreational, or environmental characteristics. In these situations, the organization works to sell the land for conservation purposes or exchange it for other real estate more suitable for development.

Since 1994, the Trust Lands Administration has put almost a half-million acres of land into conservation status through creative exchanges with private and public entities and by sales to various conservation organizations. The range of this activity includes conservation of lands in National Forests, National Parks and Monuments, wilderness areas, lands for protection for threatened and endangered species, wildlife habitat, and wetlands preservation. In all of this, the schoolchildren and other trust beneficiaries received fair value for their lands.

Here are some examples.

Scenic & Recreational

Castleton Tower, Grand County, is one of America's premier climbing venues. In 2003, Utah Open Lands purchased, non-competitively, more than 200 acres of trust land at the base of the tower. The purchase ensures continued climbing access to the tower and preserves the area in its natural state.

Desert Tortoise

More than 10,000 acres of valuable trust land near St. George has been committed to the Red Cliffs Conservation Area as part of the desert tortoise habitat conservation plan.

Dwarf Bear Claw Poppy

Nearly 200 acres of vital Dwarf Bearclaw Poppy habitat belonging to the Trust Lands Administration were exchanged to the United States Bureau of Land Management for development property owned by them. The exchange provided for the preservation of poppy habitat by the BLM and for the financial interests of Utah schools.

Prairie Dogs

The Utah Prairie Dog is a threatened species. They occupy valuable lands near cities and towns. Both counties and cities want to use this land to accommodate growth demands. The Trust Lands Administration has started a unique program for moving the prairie dogs from valuable development areas to suitable habitat on remote trust lands where they can live without daily interference from man.

Stream Restoration

Volunteers helped restore the banks of Beaver Creek on trust land in Cache County by planting vegetation in damaged areas. The project also included building fences to protect the restored areas. The restoration project was a combined effort of Trout Unlimited, the U.S. Forest Service, volunteers, and the Trust Lands Administration











Archaeology

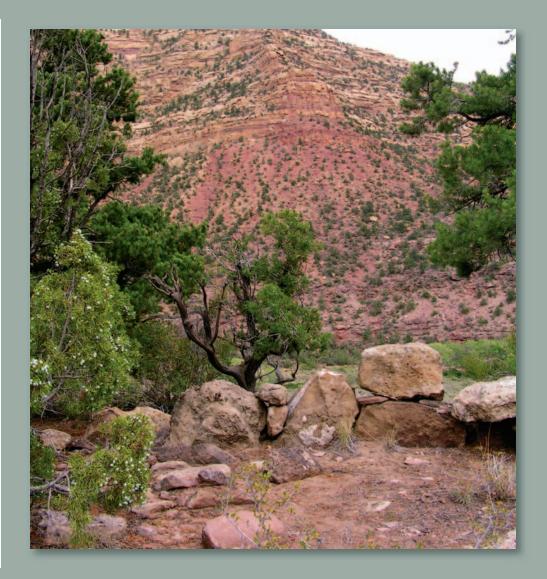
Archaeology

The Trust Lands Administration's archaeology and cultural resource team has been kept busy with the agency's increasingly active pursuit of business opportunities. As directed by the agency's legislation, the cultural resource program continues to facilitate the agency's activities while considering the impact of these projects on important historic and archaeological sites.

Over the last decade, the archaeology and cultural resource team has identified hundreds of historic and archaeological sites through the inventory of tens of thousands of acres of trust lands. The proposed uses include oil and gas exploration and production; surface leases easements, and sales; and planning and development projects statewide.

The archaeology and cultural resource team has:

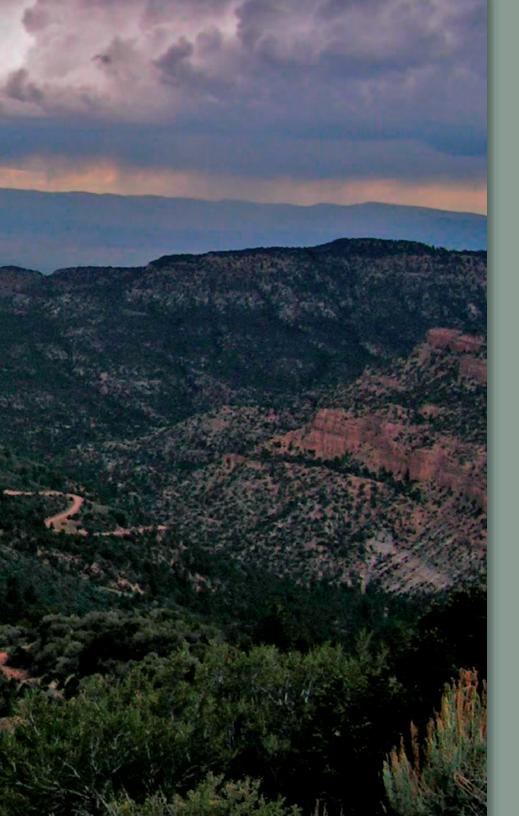
- Facilitated agency legal requirements
- Represented the interests of the beneficiaries
- Worked effectively with customers, other agencies, and the general public











Trust Lands Fundamentals

Trust Lands Fundamentals



What is the Trust Lands Administration?

The School and Institutional Trust Lands Administration is a quasi-independent agency of state government. It was created in 1994 by the Utah state legislature to manage lands granted to the state of Utah by the United States for the support of public schools and other beneficiary institutions. Prudent and profitable trust lands management has put needed dollars to work in Utah's schools. As a result, the Trust Lands Administration helps to create a better-educated workforce throughout the state

What are Trust Lands?

When Utah was granted statehood on January 6, 1896, the federal government gave the new state parcels of land to be managed in trust in order to provide financial support for public education and 11 other public institutions. The institutions that benefit from these lands are called beneficiaries. The lands are called trust lands and are scattered throughout the state.

From time to time, trust lands are sold. In fact, more than one-half of the original trust land acres have been sold, much of it during the first 35 years following statehood. Interestingly, about 30 percent of all private land in Utah came from trust lands

Now, more than 100 years since statehood, the trust of each beneficiary consists of two portfolios: (1) the real estate portfolio, which is their remaining trust land, managed by the Trust Lands Administration; (2) the financial portfolio, which is the money from the management and sales of that land, managed by the State Treasurer.

The objective is to successfully manage both portfolios to provide financial support for both current and future beneficiaries.

Where Does the Trust Lands Money Come From?

Money from the management of trust lands comes from a variety of different sources. At this time, the largest source of trust lands revenues is oil and gas — about 70 percent of all revenues. For example, \$52 million was added to the permanent funds during the past fiscal year. Of that amount, more than 73 percent came from leasing mineral properties and from royalties from the production of minerals. More than 10 percent came from surface leasing and sales, another 16 percent came from development activities, and about one percent from grazing and forestry permits.

This annual infusion of revenues moves the organization closer to its goal of \$1 billion in the Permanent School Fund by the end of fiscal year 2010. With that amount of money in the permanent fund, the Trust Lands Administration will continue to have an increasingly significant impact on Utah public education and other trust beneficiaries while continuing to build the permanent funds. The ultimate goal of the Trust Lands Administration is to make the Permanent School Fund a major source of public school funding.

The Trust Lands Administration is entirely self-funded. A portion of the money generated from managing trust lands activity is used to operate the Trust Lands Administration. All expenses and capital costs are paid from these revenues. No tax money is required.

Mineral Revenues

The largest source of revenues from trust lands is from the leasing of minerals properties and royalties from the production of minerals. Mineral production comes from many sources, including gas and oil, coal, gold, and sand and gravel.

Leasing Surface Rights

Property owned by the Trust Lands Administration is leased by a wide variety of users. Leased trust lands are currently used as telecommunications sites, commercial sites, industrial sites, recreational cabin sites, farming, timber harvesting and forestry sites, and grazing lands for livestock. It is also used for rights of way and in leases to other government entities.

Trust Land Sales

There are times when the best way to make money for the beneficiaries is through the sale of trust lands. Trust land is generally sold in one of two ways: at public auction or through a development project. Public auction sales are held twice a year and are becoming more and more popular as they make more land available for private ownership in Utah.

Development sales occur when it is determined that profits for the beneficiaries could be optimized by adding value to parcels of trust land before selling them. Usually, the Trust Lands Administration participates with experienced private real estate developers to provide land for residential, commercial, and industrial uses to help Utah's growing communities get where they want to be.





Trust Lands Fundamentals

What Organizations Benefit From Trust Lands?

At the time of statehood, the Congress of the United States of America designated 12 trust land beneficiaries in Utah. By far, the largest percentage of trust lands was granted to public schools for the benefit of Utah schoolchildren.

The 12 Beneficiaries Are:

- Utah's Public Schools
- Reservoir Fund
- Utah State University
- University of Utah
- School of Mines
- Miners Hospital
- Normal School (Teachers' College
- School for the Deaf
- Public Buildings
- State Hospita
- School for the Bline
- Youth Development Cente



How Do Trust Lands Benefit Utah's Schoolchildren?

The Trust Lands Administration works closely with local communities to build value for Utah's schoolchildren. Cash generated by both trust land operations and trust land sales is transferred to the permanent state school fund. By doing so, the endowment for the public schools grows more and more each year. Investment income (interest and dividends) from the permanent fund is distributed to the schools each year for local academic needs. The distribution is primarily based on the number of students at each school.





People

People

The Board of Trustees End of fiscal year 2004



Chairman of the Board – John W. Creer
President, Farm Management Company
Background in agricultural management and law
Farmington, Utah
Termington, October 1990/2005



Board Member – Ruland J. Gill, Jr.

Vice President, Government Affairs,
Questar Corporation

Legal background in oil and gas exploration
and development

Bountiful, Utah

Term: expires 6/30/2004



Vice Chairman – James J. Eardley
President, Dixie Transport, Inc.
Background in LP gas distribution,
county government, and banking
St. George, Utah
Term: expires 6/30/2007



Board Member - Vernal J. Mortensen
Retired, Senior Vice President, Coastal Coal, Inc.
Background in coal mining and mineral valuation
Sandy, Utah
Term: expires 6/30/2006



Board Member - James B. Lee
Senior Lawyer, Parsons Behle & Latimer
Litigator for more than 40 years in mineral
water & environmental law
Salt Lake City, Utah
Term: expires 6/30/2009



Board Member - John A. Harja
Assistant Director, Planning & Policy Department of Natural Resources
Background in natural resources law
Salt Lake City, Utah
Term: at pleasure of the Governor



Board Member – Michael P. Morris
President, Bank One Real Estate
Investment Corporation
Background in real estate and
commercial banking
Alpine, Utah



Board Member Nominee – John Y. Ferry
Vice President, JY Ferry and Son, Inc.
Background in Ranching & Farm Management
Corinne, Utah
Term: expires 6/30/2010

People

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| | IMELLINEIS II | | |

| Former Trustees | From | Through |
|--------------------------|------|---------|
| A. Lear Thorpe | 1994 | 1995 |
| Barbara G. Hjelle | 1994 | 1996 |
| Scott J. Robertson | 1995 | 1997 |
| I. D. "Skip" Nightingale | 1994 | 1999 |
| Donald K. Peay | 1994 | 2000 |
| Louise Liston | 1994 | 2001 |
| Robert P. Morris | 1996 | 2002 |
| Lonnie M. Bullard | 1997 | 2003 |

Trust Lands Administration Directors

| | From | То |
|---------------------------------|------------------|------------------|
| Scott Hirschi Director | July, 1994 | September, 1995 |
| Kevin S. Carter Acting Director | October 1, 1995 | October 15, 1995 |
| David T. Terry Director | October 15, 1995 | April, 2001 |
| Kevin S. Carter Acting Director | May, 2001 | August, 2001 |
| Stephen G. Boyden Director | September, 2001 | December, 2002 |
| Kevin S. Carter Director | January, 2003 | Present |

Senior Staff

Kevin S. Carter Director

Lynda Belnap Administrative Assistant to the Director

John W. Andrews Associate Director and Chief Legal Counse

LaVonne J. Garrison Assistant Director/ Oil and Gas
Kim S. Christy Assistant Director/Surface

Ric McBrier Assistant Director/Planning & Development

Tom Faddies Assistant Director/Hard Rock and Industrial Minerals

Lisa Y. Schneider Finance Director
Kay Burton Block Planner
Jeff Roe ITS Manager
Ron Carlson Audit Manager

Dave Hebertson Public Relations Manager

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Special thanks to:

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Mark A. Philbrick/BYU Dwarf Bear Claw Poppy Page 24

James Weston/Hogle Zoo Desert Tortoise & Utah Prairie Dog Page 24



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